

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2004**

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

|   |                                |  |                         |
|---|--------------------------------|--|-------------------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Government Name<br><b>Township of Union</b>            | County<br><b>Branch</b> |
| Audit Date<br><b>3/31/04</b>  | Opinion Date<br><b>9/13/04</b> | Date Accountant Report Submitted to State:<br><b>9/22/04</b> |                         |

We have audited the financial statements of this local unit of government and rendered an opinion on the financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan*.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

## We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | X        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|   |  |                        |                    |
|---|--|------------------------|--------------------|
| Certified Public Accountant (Firm Name)<br><b>Campbell, Angle &amp; Steffes P.C.</b>                |  |                        |                    |
| Street Address<br><b>428 Water</b>  |  | City<br><b>Allegan</b> | State<br><b>MI</b> |
| Accountant's Signature<br><i>Theresa E. Steffes CPA</i><br><b>Campbell Angle &amp; Steffes P.C.</b> |  | ZIP<br><b>49010</b>    |                    |

**TOWNSHIP OF UNION**  
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## INDEPENDENT AUDITOR'S REPORT

September 13, 2004

To the Township Board  
Township of Union  
Branch County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Union, Branch County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Union Township, Branch County, Michigan management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Union as of March 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis- for State and Local Governments, as of March 31, 2004.

The management's discussion and analysis and budgetary comparison information on page 2 and 19 through 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

*Campbell Angle & Steffes P.C.*  
Campbell, Angle & Steffes, P.C.  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS UNION TOWNSHIP, BRANCH COUNTY**

### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer view of the Township finances. Fund financial statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government wide financial statements.

### **The Township as a Whole**

The Township's combined net assets increased \$49,462 from one year ago - increasing from \$248,249 to \$297,711.

The Township's net assets continue to remain healthy.

### **Government Activities**

The Township has increased its financial position, however has expended funds for improvements and repairs as needed. The Township continues to provide the citizens with dust control and seal-coating for road maintenance. Road work in 2003 involved Barnhart road (ditching and gravel) and the OK to start the Sullivan road project, which will carry into 2004.

### **Economic Factors and Next Year's Budget and Rates**

State revenue sharing payments are expected to decline from prior year levels. However, there are no significant changes expected in the tax base for the coming fiscal year. The road construction project will be completed as planned.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clerk's office.

**TOWNSHIP OF UNION**  
**GOVERNMENT WIDE STATEMENT OF NET ASSETS**  
**MARCH 31, 2004**

|                               | <u>Primary Government</u>          |                       |
|-------------------------------|------------------------------------|-----------------------|
|                               | <u>Governmental<br/>Activities</u> | <u>Total</u>          |
| <b>ASSETS</b>                 |                                    |                       |
| Cash and cash equivalents     | \$ 236,156                         | \$ 236,156            |
| Investments                   | 0                                  | 0                     |
| Receivables - net             | 63,135                             | 63,135                |
| Prepays                       | 1,375                              | 1,375                 |
| Capital assets - net          | <u>35,000</u>                      | <u>35,000</u>         |
| <br>Total Assets              | <br><u>335,666</u>                 | <br><u>335,666</u>    |
| <b>LIABILITIES</b>            |                                    |                       |
| Accounts payable              | 0                                  | 0                     |
| Accrued and other liabilities | 37,955                             | 37,955                |
| Noncurrent Liabilities        |                                    |                       |
| Due within one year           | 0                                  | 0                     |
| Due in more than one year     | <u>0</u>                           | <u>0</u>              |
| <br>Total Liabilities         | <br><u>37,955</u>                  | <br><u>37,955</u>     |
| <b>NET ASSETS</b>             |                                    |                       |
| Invested in Capital Assets    |                                    |                       |
| Net of related debt           | 35,000                             | 35,000                |
| Restricted For                |                                    |                       |
| Public safety/Cemetery care   | 74,039                             | 74,039                |
| Unrestricted                  | <u>188,672</u>                     | <u>188,672</u>        |
| <br>Total Net Assets          | <br><u>\$ 297,711</u>              | <br><u>\$ 297,711</u> |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF UNION**  
**GOVERNMENT WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED MARCH 31, 2004**

| Functions/Programs                                 | Expenses          | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Net (Expense) Revenue and Changes in Net Assets |                             |                   |
|--|-------------------|-------------------------|--|--|---|-----------------------------|-------------------|
|  |                   |                         |  |  | Primary Government                              |                             | Total             |
|  |                   |                         |  |  | Governmental<br>Activities                      | Business-Type<br>Activities |                   |
| <b>Primary Government</b>                          |                   |                         |  |  |   |                             |                   |
| General government                                 | 70,716            | 700                     | 0  | 0                                      | (70,016)  | 0                           | (70,016)          |
| Public safety/Cemetery care                        | 64,213            | 17,977                  | 0  | 0                                      | (46,236)  | 0                           | (46,236)          |
| Public works                                       | 37,689            | 0                       | 0  | 0                                      | (37,689)  | 0                           | (37,689)          |
| Community/Economic<br>Recreation and culture       | 139               | 0                       | 0  | 0                                      | (139)   | 0                           | (139)             |
| Total Governmental Activities                      | 172,757           | 18,677                  | 0  | 0                                      | (154,080)                                       | 0                           | (154,080)         |
| Total Primary Government                           | <u>\$ 172,757</u> | <u>\$ 18,677</u>        | <u>\$ 0</u>                              | <u>\$ 0</u>                            | <u>(154,080)</u>                                | <u>0</u>                    | <u>(154,080)</u>  |
| <b>General Revenues</b>                            |                   |                         |  |  |   |                             |                   |
| Property taxes                                     |                   |                         |  |  | 101,914   | 0                           | 101,914           |
| State-shared revenues                              |                   |                         |  |  | 97,160  | 0                           | 97,160            |
| Unrestricted investment earnings                   |                   |                         |  |  | 2,577   | 0                           | 2,577             |
| Franchise fees                                     |                   |                         |  |  | 0   | 0                           | 0                 |
| Miscellaneous                                      |                   |                         |  |  | 1,891   | 0                           | 1,891             |
| Transfers  |                   |                         |  |  | 0   | 0                           | 0                 |
| Total General Revenues-Special Items and Transfers |                   |                         |  |  | 203,542   | 0                           | 203,542           |
| Change in Net Assets                               |                   |                         |  |  | 49,462  | 0                           | 49,462            |
| Net Assets-Beginning                               |                   |                         |  |  | 248,249   | 0                           | 248,249           |
| Net Assets-Ending                                  |                   |                         |  |  | <u>\$ 297,711</u>                               | <u>\$ 0</u>                 | <u>\$ 297,711</u> |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF UNION**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**March 31, 2004**

|                            | General<br>Fund          | Fire &<br>Cemetery<br>Fund | Total<br>Governmental<br>Funds |
|----------------------------|--------------------------|----------------------------|--------------------------------|
| <b>ASSETS</b>              |                          |                            |                                |
| Cash and cash equivalents  | \$ 205,405               | \$ 30,751                  | \$ 236,156                     |
| Investments                | 0                        | 0                          | 0                              |
| Receivables - net          | 19,023                   | 5,333                      | 24,356                         |
| Due from other funds       | 824                      | 37,955                     | 38,779                         |
| Prepays                    | 1,375                    | 0                          | 1,375                          |
|                            | <u>226,627</u>           | <u>74,039</u>              | <u>300,666</u>                 |
| <b>LIABILITIES</b>         |                          |                            |                                |
| Accounts payable           | 0                        | 0                          | 0                              |
| Due to other funds         | 37,955                   | 0                          | 37,955                         |
|                            | <u>37,955</u>            | <u>0</u>                   | <u>37,955</u>                  |
| <b>FUND BALANCES</b>       |                          |                            |                                |
| Reserved for               |                          |                            |                                |
| Road projects              | 0                        | 0                          | 0                              |
| Public safety              | 0                        | 74,039                     | 74,039                         |
| Health and welfare         | 0                        | 0                          | 0                              |
| Unreserved                 | 188,672                  | 0                          | 188,672                        |
|                            | <u>188,672</u>           | <u>0</u>                   | <u>188,672</u>                 |
| <b>Total Fund Balances</b> | <u><u>\$ 188,672</u></u> | <u><u>\$ 74,039</u></u>    | <u><u>\$ 262,711</u></u>       |

Amounts reported for governmental activities in the Statement of Net Assets are different because:

|   |                          |
|---|--------------------------|
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | 35,000                   |
| Net Assets of Governmental Activities   | <u><u>\$ 297,711</u></u> |

The Notes to Financial Statements are an integral part of this statement.



**TOWNSHIP OF UNION**  
**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**March 31, 2004**

|  | General<br>Fund   | Fire & Cemetery<br>Fund | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------------|--------------------------------|
| <b>Revenues</b>                        |                   |                         |                                |
| Taxes and penalties                    | 58,626            | 43,288                  | 101,914                        |
| Licenses and permits                   | 0                 | 0                       | 0                              |
| State aid                              | 97,160            | 0                       | 97,160                         |
| Charges for services                   | 700               | 17,977                  | 18,677                         |
| Interest and rentals                   | 2,234             | 343                     | 2,577                          |
| Other revenue                          | 1,891             | 0                       | 1,891                          |
|  | <u>160,611</u>    | <u>61,608</u>           | <u>222,219</u>                 |
| <b>Total Revenues</b>                  |                   |                         |                                |
| <b>Expenditures</b>                    |                   |                         |                                |
| Current                                |                   |                         |                                |
| General government                     | 70,716            | 0                       | 70,716                         |
| Public safety/cemetery care            | 0                 | 61,814                  | 61,814                         |
| Public works                           | 37,688            | 0                       | 37,688                         |
| Health and welfare                     | 0                 | 0                       | 0                              |
| Recreation and cultural                | 139               | 0                       | 139                            |
| Community/Economic development         | 0                 | 0                       | 0                              |
| Capital outlay                         | 0                 | 0                       | 0                              |
|  | <u>108,543</u>    | <u>61,814</u>           | <u>170,357</u>                 |
| <b>Total Expenditures</b>              |                   |                         |                                |
| <b>Excess of Revenues Over (Under)</b> |                   |                         |                                |
| <b>Expenditures</b>                    | 52,068            | (206)                   | 51,862                         |
| <b>Other Financing Sources (Uses)</b>  |                   |                         |                                |
| Transfers in                           | 0                 | 7,049                   | 7,049                          |
| Transfers (out)                        | (7,049)           | 0                       | (7,049)                        |
| <b>Total Other Financing Sources</b>   |                   |                         |                                |
| <b>(Uses)</b>                          | <u>(7,049)</u>    | <u>7,049</u>            | <u>0</u>                       |
| <b>Excess of Revenue and Other</b>     |                   |                         |                                |
| <b>Sources Over (Under)</b>            |                   |                         |                                |
| <b>Expenditures and Other Uses</b>     | 45,019            | 6,843                   | 51,862                         |
| <b>Fund Balance - April 1, 2003</b>    |                   |                         |                                |
| as previously stated                   | 195,693           | 0                       | 195,693                        |
| Prior Period Adjustments               | (52,040)          | 67,196                  | 15,156                         |
| <b>Fund Balance, restated</b>          | <u>143,653</u>    | <u>67,196</u>           | <u>210,849</u>                 |
| <b>Fund Balance-March 31, 2004</b>     | <u>\$ 188,672</u> | <u>\$ 74,039</u>        | <u>\$ 262,711</u>              |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF UNION**  
**FIDUCIARY FUNDS-STATEMENT OF NET ASSETS**  
**MARCH 31, 2004**

|                                 | <u>Cemetery Trust<br/>Fund</u> | <u>Agency Fund Type<br/>(Winter Tax<br/>Collection Fund)</u> | <u>Agency Fund<br/>(Summer Tax<br/>Collection Fund)</u> |
|---------------------------------|--------------------------------|--|---|
| <b>ASSETS</b>                   |                                |  |   |
| Cash and cash equivalents       | \$ 29,743                      | \$ 704   | \$ 119  |
| Total Assets                    | <u>\$ 29,743</u>               | <u>\$ 704</u>  | <u>\$ 119</u>   |
| <b>LIABILITIES</b>              |                                |  |   |
| Accounts payable                | \$ 0                           | \$ 0   | \$ 0  |
| Due to other governmental units | <u>0</u>                       | <u>704</u>   | <u>119</u>  |
| Total Liabilities               | <u>\$ 0</u>                    | <u>\$ 704</u>  | <u>\$ 119</u>   |
| <b>NET ASSETS</b>               |                                |  |   |
| Held in trust for cemetery care | <u>\$ 29,743</u>               |  |   |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF UNION**  
**FIDUCIARY FUNDS-STATEMENT OF CHANGES IN NET ASSETS**  
**MARCH 31, 2004**

|                                    | <u>Cemetery Trust<br/>Fund</u> |
|------------------------------------|--------------------------------|
| <b>ADDITIONS</b>                   |                                |
| Investment Income                  |                                |
| Interest                           | <u>\$ 377</u>                  |
| Total Investment Income            |                                |
| Total Additions                    | <u>377</u>                     |
| <b>DEDUCTIONS</b>                  |                                |
| Other Deductions                   |                                |
| Cemetery care                      | <u>1,078</u>                   |
| Total Deductions                   | <u>1,078</u>                   |
| Change in Net Assets               | (701)                          |
| Net Assets - Beginning of the Year | <u>30,444</u>                  |
| Net Assets-End of the Year         | <u><u>\$ 29,743</u></u>        |

The Notes to Financial Statements are an integral part of this statement.

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Township of Union, Branch County, Michigan is a general law Township. The Township operates under an elected Board/Supervisor form of government and provides the following services as authorized by its charter: public safety, highways and street, public improvements, cultural recreation, planning and zoning, and administrative services.

The accounting policies of the Township of Union conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**A. The Reporting Entity**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire & Cemetery Fund is a Special Revenue Fund of the Township. This Fund is used to account for the proceeds of specific revenue tax millages that are legally restricted to expenditures for the fire and cemetery.

The government reports no non-major fund types.

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
(continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule would be charges between the government's enterprise funds and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Township of Union does not have enterprise funds.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Finally, the government reports the following fund types:

The Summer and Winter Tax Collection Funds are Fiduciary Funds accountable for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. The Cemetery Trust Fund is a Fiduciary Fund accountable for care of general gravesites. Funds are restricted for this purpose.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied each July for State Education Tax, and on each December 1 on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent in the following September and March of the following respective period, at which time penalties and interest are assessed.

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

Inventories and Prepaid Items-Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets-Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

|                       |                |
|-----------------------|----------------|
| Buildings             | 30 to 40 years |
| Building Improvements | 15 to 30 years |
| Roads                 | 10 to 30 years |
| Fire Equipment        | 07 to 25 years |
| Vehicles              | 03 to 05 years |
| Office Equipment      | 05 to 07 years |
| Computer Equipment    | 03 to 07 years |

Compensated Absences (Vacation and Sick Leave)-It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Government-wide financial statements differ from the Governmental fund financial statements only for the effect of the inclusion of capital assets.

|                                       |                   |
|---------------------------------------|-------------------|
| Capitalized Asset Costs               | \$ 169,420        |
| Less Accumulated Depreciation         | <u>(134,420)</u>  |
| Capital Assets, net                   | 35,000            |
| Governmental Fund Balances            | <u>262,711</u>    |
| Net Assets of Governmental Activities | <u>\$ 297,711</u> |

**NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information-The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year. These budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The Township Board approves, by ordinance, total budget appropriations only. Any revisions that alter the total appropriations of any fund must be approved by the Township Board, therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (General Government, Public Safety, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds-During the year, the Local Governmental Unit did not incur expenditures in budgeted funds which were in excess of the amounts appropriated.

Fund Deficits-The Local Governmental Unit has no accumulated fund balance deficits at this time.



**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government of federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Local Governmental Unit Board has designated several banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

The Local Governmental Unit's deposits and investment policy are in accordance with statutory authority.

At year-end, the Local Unit's deposits and investments were reported in the basic financial statements in the following categories:

|                           | <u>Governmental<br/>Activities</u> | <u>Fiduciary<br/>Funds</u> | <u>Total Primary<br/>Government</u> |
|---------------------------|------------------------------------|----------------------------|-------------------------------------|
| Cash and Cash Equivalents | \$ 236,156                         | \$ 30,566                  | \$ 266,722                          |

The breakdown between deposits and investments is as follows:

|   | <u>Primary<br/>Government</u> |
|---|-------------------------------|
| Bank Deposits (checking and savings accounts,<br>certificates of deposit) | \$ 266,722                    |
| Investments in Securities, Mutual Funds and<br>Similar Vehicles           | -                             |
| Petty Cash and Cash on Hand   | -                             |
| Total   | <u>\$ 266,722</u>             |

The bank balance of the primary government's deposits is \$266,722, of which \$189,189 is covered by federal depository insurance.

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 5 - RECEIVABLES**

Receivables as of year-end for the government's individual major, nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are reported in the Government Wide Statement of Net Assets as follows:

|                                    | <u>Major Funds</u>      |   |  |                  |
|------------------------------------|-------------------------|---|--|------------------|
|                                    | <u>General<br/>Fund</u> | <u>Fire &amp;<br/>Cemetery<br/>Fund</u> | <u>Non-Major &amp;<br/>Other Funds</u> | <u>Total</u>     |
| Taxes receivable                   | \$ 6,635                | \$ 5,333                                | \$ 0                                   | \$ 11,968        |
| State share revenues receivable    | 12,388                  | 0                                       | 0                                      | 12,388           |
| Due from other funds               | 824                     | 37,955                                  | 0                                      | 38,779           |
| Less: allowance for uncollectibles | <u>0</u>                | <u>0</u>                                | <u>0</u>                               | <u>0</u>         |
| Net Receivables                    | <u>\$ 19,847</u>        | <u>\$ 43,288</u>                        | <u>\$ 0</u>                            | <u>\$ 63,135</u> |

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

|                                       | Beginning<br>Balance | Increases  | Decreases | Ending<br>Balance |
|---------------------------------------|----------------------|------------|-----------|-------------------|
| <b>Governmental Activities</b>        |                      |            |           |                   |
| Capital Assets Not Being Depreciated  |                      |            |           |                   |
| Land                                  | \$ 23,000            | \$ 0       | \$ 0      | \$ 23,000         |
| Construction in Progress              | 0                    | 0          | 0         | 0                 |
| Subtotal                              | 23,000               | 0          | 0         | 23,000            |
| Capital Assets Being Depreciated      |                      |            |           |                   |
| Buildings                             | 49,367               | 0          | 0         | 49,367            |
| Machinery and equipment               | 24,661               | 0          | 0         | 24,661            |
| Fire Trucks                           | 72,392               | 0          | 0         | 72,392            |
| Subtotal                              | 146,420              | 0          | 0         | 146,420           |
| Less Accumulated Depreciation for     |                      |            |           |                   |
| Buildings                             | 49,367               | 0          | 0         | 49,367            |
| Machinery and equipment               | 24,661               | 0          | 0         | 24,661            |
| Fire Trucks                           | 57,992               | 2,400      | 0         | 60,392            |
| Subtotal                              | 132,020              | 2,400      | 0         | 134,420           |
| Net Capital Assets Being Depreciated  | 14,400               | 2,400      | 0         | 12,000            |
| Governmental Activities Capital Total |                      |            |           |                   |
| Capital Assets-Net of Depreciation    | \$ 37,400            | \$ (2,400) | \$ 0      | \$ 35,000         |

The Township assets have been evaluated according to GASB 34 guidelines. The Township owns cemetery property and a township hall where historical dates and cost values were known or estimated. Generally, these assets are fully depreciated, as applicable, with unknown salvage values. The most recent asset acquisitions are recorded and depreciated.

Depreciation expense was charged to programs of the primary government as follows:

**Governmental Activities**

|                               |                 |
|-------------------------------|-----------------|
| General government            | \$ 0            |
| Public safety                 | 2,400           |
| Public works                  | 0               |
| Economic development          | 0               |
| Recreation and culture        | 0               |
| Total Governmental Activities | <u>\$ 2,400</u> |

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

The composition of interfund balances is as follows:

| <b>Due To/From Other Funds</b> |                  |                      |                  |
|--------------------------------|------------------|----------------------|------------------|
| <u>Receivable Fund</u>         |                  | <u>Payable Fund</u>  | <u>Amount</u>    |
| General                        | \$ 824           | Tax Collection Funds | \$ 824           |
| Fire & Cemetery Fund           | <u>37,955</u>    | General              | <u>37,955</u>    |
| Total                          | <u>\$ 38,779</u> |                      | <u>\$ 38,779</u> |

**Interfund Transfers**

| <u>Transfers In</u>  | <u>Transfers (Out)</u> |                                     | <u>Total</u>    |
|----------------------|------------------------|-------------------------------------|-----------------|
|                      | <u>General Fund</u>    | <u>Non-Major Governmental Funds</u> |                 |
| Fire & Cemetery Fund | <u>\$ 7,049</u>        | <u>\$ 0</u>                         | <u>\$ 7,049</u> |
| Total                | <u>\$ 7,049</u>        | <u>\$ 0</u>                         | <u>\$ 7,049</u> |

**TOWNSHIP OF UNION  
BRANCH COUNTY, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004**

**NOTE 8 - SPECIAL REVENUE FUND - FIRE & CEMETERY FUND**

Over two years ago, the Township voters approved a millage which provided tax funds for special purpose use. This special purpose was to fund fire protection services and fund cemetery care, no break out proportion for the separate uses.

Fire Safety costs of \$27,324 and cemetery care expenditures of \$34,490 were offset mainly by the tax collections of \$43,288 and cemetery charges for services of \$17,977. General Fund supported this function with approximately \$7,000 as well.

Certificates of deposit total \$30,751 for board designation for cemetery land purchase. Winter tax 2003 tax collections of \$37,955 were being held in General Fund cash accounts as of March 31, 2004 for cemetery & fire protection spending in the 2004/2005 fiscal year.

The Village of Union City provides fire protection services under contract. In addition, the Township of Union owns and provides fire equipment for use by the Village's Fire Department.

**NOTE 9 - PRIOR PERIOD ADJUSTMENTS**

The audited fund balances as of March 31, 2003 were adjusted for the following reasons:

General Fund adjustments: \$67,195 decrease due to reclassification for the new special revenue fund, Fire & Cemetery Fund; \$15,156 increase due to prior year share of state revenue receivable and prepaid insurance expense not recorded.

Special Revenue Fund: \$67,195 increase due to reclassification for the new special revenue fund, Fire & Cemetery Fund.

**NOTE 10 - LIBRARY SERVICES**

The Township building is utilized by the local Library association in exchange for a no-charge Library contract. The Township maintains the building as its only cost for these services.

**REQUIRED SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF UNION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED MARCH 31, 2004**

|                                      | <u>Original<br/>Budget</u> | <u>Amended<br/>Budget</u> | <u>Actual</u>     | <u>Variance<br/>With<br/>Amended<br/>Budget</u> |
|--------------------------------------|----------------------------|---------------------------|-------------------|---|
| Beginning of Year Fund Balance       | \$ 143,653                 | \$ 143,653                | \$ 143,653        | \$ 0  |
| Resources (Inflows)                  |                            |                           |                   |   |
| Property taxes                       | 53,625                     | 53,625                    | 58,626            | 5,001   |
| State aid                            | 99,000                     | 99,000                    | 97,160            | (1,840)   |
| Licenses and permits                 | 0                          | 0                         | 0                 | 0   |
| Charges for services                 | 10,000                     | 10,000                    | 700               | (9,300)   |
| Interest and rentals                 | 500                        | 500                       | 2,234             | 1,734   |
| Miscellaneous revenues               | 1,650                      | 1,650                     | 1,891             | 241   |
| Transfers from other funds           | 0                          | 0                         | 0                 | 0   |
| Amounts Available for Appropriation  | 308,428                    | 308,428                   | 304,264           | (4,164)   |
| Charges to Appropriations (Outflows) |                            |                           |                   |   |
| General government                   |                            |                           |                   |   |
| Township board                       | 5,400                      | 5,400                     | 5,363             | 37  |
| Supervisor                           | 7,000                      | 7,000                     | 6,859             | 141   |
| Finance                              | 3,000                      | 3,000                     | 2,940             | 60  |
| Board of Review                      | 1,700                      | 1,700                     | 1,638             | 62  |
| Treasurer                            | 15,000                     | 18,000                    | 16,055            | 1,945   |
| Assessing                            | 18,000                     | 15,000                    | 12,334            | 2,666   |
| Clerk                                | 11,000                     | 11,000                    | 10,240            | 760   |
| Elections                            | 1,000                      | 1,000                     | 799               | 201   |
| Buildings and grounds                | 14,600                     | 14,600                    | 14,488            | 112   |
| Public Safety                        | 0                          | 0                         | 0                 | 0   |
| Public Works                         | 42,807                     | 42,807                    | 37,688            | 5,119   |
| Recreation and culture               | 3,500                      | 3,500                     | 139               | 3,361   |
| Capital outlay                       | 0                          | 0                         | 0                 | 0   |
| Transfers to other funds             | 8,000                      | 8,000                     | 7,049             | 951   |
| Total Charges to Appropriations      | 131,007                    | 131,007                   | 115,591           | 15,416  |
| Budgetary Fund Balance-March 31      | <u>\$ 177,421</u>          | <u>\$ 177,421</u>         | <u>\$ 188,672</u> | <u>\$ 11,252</u>                                |

**TOWNSHIP OF UNION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR FIRE & CEMETERY FUND  
YEAR ENDED MARCH 31, 2004**

|                                      | Original<br>Budget | Amended<br>Budget | Actual           | Variance<br>With<br>Amended<br>Budget |
|--------------------------------------|--------------------|-------------------|------------------|---------------------------------------|
| Beginning of Year Fund Balance       | \$ 67,196          | 67,196            | 67,196           | 0                                     |
| Resources (Inflows)                  |                    |                   |                  |                                       |
| Property taxes                       | 38,032             | 38,032            | 43,288           | 5,256                                 |
| State aid                            | 0                  | 0                 | 0                | 0                                     |
| Charges for services                 | 3,500              | 3,500             | 17,977           | 14,477                                |
| Interest and rentals                 | 0                  | 0                 | 343              | 343                                   |
| Miscellaneous revenues               | 0                  | 0                 | 0                | 0                                     |
| Transfers from other funds           | 8,000              | 8,000             | 7,049            | (951)                                 |
| Amounts Available for Appropriation  | 116,728            | 116,728           | 135,853          | 19,125                                |
| Charges to Appropriations (Outflows) |                    |                   |                  |                                       |
| Fire & Cemetery services             | 65,500             | 65,500            | 61,814           | 3,686                                 |
| Transfers to other funds             | 0                  | 0                 | 0                | 0                                     |
| Total Charges to Appropriations      | 65,500             | 65,500            | 61,814           | 3,686                                 |
| Budgetary Fund Balance-March 31      | <u>\$ 51,228</u>   | <u>\$ 51,228</u>  | <u>\$ 74,039</u> | <u>\$ 15,439</u>                      |

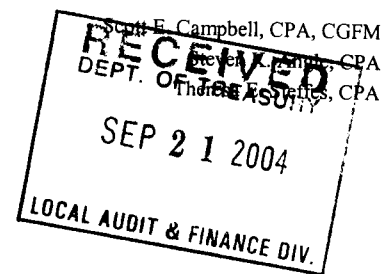


# CAMPBELL, ANGLE & STEFFES, P.C.

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September 13, 2004

In planning and performing our audit of the General Purpose Financial Statements of the Township of Union for the year ended March 31, 2004, we considered the Township's internal control structure to determine audit procedures for the purpose of expressing an opinion of the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are an opportunity to strengthen internal control and increase operating efficiency. We offer the following items for your consideration.

## **Uninsured Bank Deposits**

As of the audit date, the balances of cash accounts exceeds the levels of federal deposit insurance. The maximum insurable balance is \$200,000 in each bank, \$100,000 for each demand and savings account types. As of the audit date, insured demand deposit accounts total \$100,000, insured savings accounts total \$89,189, while uninsured demand deposit accounts total \$77,533. We recommend that cash balances are spread among several local banks to stay within the insurable limits.

## **Accounting Records**

The Township maintains manual accounting records. We suggest that the Township consider converting this manual ledger system to a computerized system, allowing the Township officials to maintain and report accounting activity in an efficient manner. We will assist with this conversion process if requested.

## **New Financial Reporting Model**

The Governmental Accounting Standards Board (GASB) has recently approved a completely new financial reporting model. The Union Township officials have completed this conversion process by accounting for the fixed assets of the Township. Compliance to this new reporting requirement is complete with this audit period.

## **General**

In general the internal control systems of the Township are good and functioning properly. The comments noted above will help the Township strengthen the existing controls and will help provide greater accountability to residents of the Township.

We greatly appreciate the help and cooperation given us by all the Township employees and officials.

Respectfully submitted,

*Campbell Angle & Steffes P.C.*  
Campbell, Angle & Steffes, P.C.  
Certified Public Accountants